



Health Services
LOS ANGELES COUNTY

September 15, 2009

**Los Angeles County
Board of Supervisors**

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John F. Schunhoff, Ph.D.
Interim Director

Robert G. Splawn, M.D.
Interim Chief Medical Officer

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**APPROVAL OF A PATIENT FINANCIAL SERVICES AGREEMENT
WITH THE CALIFORNIA DEPARTMENT OF HEALTH CARE
SERVICES
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

SUBJECT:

Request approval of a Patient Financial Services Agreement with the California Department of Health Care Services.

**IT IS JOINTLY RECOMMENDED BY THE DEPARTMENT OF
HEALTH SERVICES AND THE DEPARTMENT OF PUBLIC
SOCIAL SERVICES THAT YOUR BOARD:**

1. Authorize the Interim Director of Health Services and the Director of Department of Public Social Services, or their designees, to execute a no cost Patient Financial Services (PFS) Agreement with California Department of Health Care Services (DHCS) to formalize the arrangement for the use of Department of Health Services (DHS) staff to assist the Department of Public Social Services (DPSS) by taking Medi-Cal applications at County health facilities, effective upon Board approval, until either party requests the Agreement be terminated.
2. Authorize the Interim Director of Health Services and the Director of DPSS, or their designees, to enter into amendments to such PFS Agreement, subject to review and approval of County Counsel and the Chief Executive Office, and notice to your Board.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommended actions will authorize the Directors of DPSS and DHS to execute the PFS Agreement, substantially similar to

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*To improve health
through leadership,
service and education*

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Exhibit I, to continue the use of Patient Financial Service Workers (PFSW) in DHS facilities to provide Medi-Cal eligibility services in conjunction with DPSS, and to amend such Agreement in the future. The purpose of the PFS Agreement is to memorialize the current relationships among the parties in a formal document. The State has also requested that the relationship between DPSS and DHS relating to the use of outstationed eligibility workers be memorialized in a Memorandum of Understanding (MOU) so the relative rights and responsibilities of each of the Departments are clear. The Departments will prepare and execute such an MOU after the PFS Agreement is approved.

Since the 1970s, DHCS has allowed DHS employees, working at County health facilities, to assist DPSS in accepting, documenting and processing patient applications for Medi-Cal. Permission to use DHS staff as outstationed Medi-Cal eligibility workers was recognized in correspondence with State officials, largely from the 1970s, but was never formalized in an agreement and was not updated as federal law and practices and procedures changed.

Implementation of Strategic Plan Goals

These actions support Goal 2, Children, Family and Adult Well-Being and Goal 4, Health and Mental Health, of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

The Agreement with DHCS does not increase DHS costs. Allowing DHS to continue to take and process Medi-Cal applications will continue to enhance Medi-Cal revenue, as well as provide DHS with Medi-Cal Administrative Cost Claim revenue of approximately \$16.9 million annually, which partially offsets the staff costs for these activities.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Currently, DHS employs PFSWs and related staff to assist DPSS staff by taking Medi-Cal applications at County health facilities, including LAC+USC Medical Center, Harbor-UCLA Medical Center, Olive View-UCLA Medical Center, Rancho Los Amigos National Rehabilitation Center, High Desert Health System, and Martin Luther King, Jr.-Multi-Service Ambulatory Care Center, and assuring the completeness and accuracy of such applications. Final determinations of eligibility are made by DPSS staff, as required by federal law. Federal law authorizes DHCS to utilize DHS staff for these functions and DHCS' consent was reflected in previous correspondence with State officials.

The Honorable Board of Supervisors
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DHCS has determined that an agreement accurately reflecting the current practices, rules and regulations is required to formally acknowledge State permission to utilize DHS staff in this process. The purpose of the PFS Agreement and related documents is to memorialize the existing relationship between DHCS, DHS and DPSS, with the responsibilities of each party and relevant policies and procedures clearly outlined.

County Counsel has approved Exhibit I as to form.

CONTRACTING PROCESS

~~The County must utilize the DHCS Agreement, therefore the County's contracting process is not applicable.~~

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of these recommendations will ensure that Medi-Cal revenues will continue uninterrupted and maximize DHS' revenue recovery.

Respectfully submitted,



John F. Schunhoff, Ph.D.
Interim Director



Philip L. Browning, Director
Department of Public Social Services

JFS:mj

Attachment

c: Chief Executive Officer
Acting County Counsel
Executive Officer, Board of Supervisors

PFS BL

PATIENT FINANCIAL SERVICES AGREEMENT
BETWEEN STATE DEPARTMENT OF
HEALTH CARE SERVICES (DHCS OR STATE)
LOS ANGELES COUNTY DEPARTMENT OF PUBLIC SOCIAL SERVICES
(DPSS) AND DEPARTMENT OF HEALTH SERVICES (DHS)

INTRODUCTION:

On April 8, 1975, the State and the County of Los Angeles (LAC) documented an agreement to allow the county to utilize Patient Financial Services Workers (PFSW) and related staff to perform intake, document gathering, and application assistance services at LAC hospitals in connection with Medi-Cal eligibility applications. See Attachment 1. A joint State/County Medi-Cal Waiver Task Force report dated May 19, 1983, recommended continuation of this Agreement.

State staff issued a LAC PFSW Focused Review (FR) report on March 18, 2008. The FR findings documented that LAC substantially complied with state and federal requirements.

PURPOSE OF UPDATED AGREEMENT:

State and LAC recognize the need to update the PFSW Agreement as a result of the 2008 LAC PFSW FR findings, the passage of time, significant changes to processes and DHCS' obligation to ensure that appropriate procedures are being followed. Both entities recognize the need for outstation intake workers in LAC facilities and want this arrangement to continue in an appropriately updated form.

DEFINITIONS:

The following definitions apply to this Agreement:

"PFS Staff" means DHS employed staff, including PFSW, Patient Financial Services Control Workers, their DHS supervisors and support personnel who provide, at DHS locations, Medi-Cal eligibility related services in conjunction with DPSS.

"Certifiers" means DPSS employed staff in the classification of Eligibility Supervisor.

UPDATED AGREEMENT SPECIFICATIONS:

Authority Citation: Title 42 Code of Federal Regulations (CFR) Section 435.904. See Attachment II.

County Entity Coverage Provisions:

The four LAC hospitals (i.e., Olive View-UCLA Medical Center, Harbor/UCLA Medical Center, Rancho Los Amigos National Rehabilitation Center, and LAC+USC Medical Center) are outstation locations at which DHS' PFS Staff shall perform the duties stated below. They are all designated as Disproportionate Share Hospitals (DSH) and are therefore covered by Title 42 CFR Section 435.904(c)(1).

The two Multi-Service Ambulatory Care Centers (MACCs) (i.e., Martin Luther King, Jr. and High Desert) are free-standing clinics. They are also outstation locations at which DHS' PFS Staff will perform the duties stated below. Presently, they are neither DSH nor Federally Qualified Health Centers; therefore the inclusion of MACCs in the PFS Agreement is authorized by Title 42 CFR Section 435-904(c)(3) under the provision for other outstation locations.

Updated Agreement Provisions:

1. Duties of DHS PFS Staff and DPSS Certifiers:

In accordance with Title 42 CFR Section 435.904(d)(2) DHS PFS Staff may perform duties at each outstation location identified above. LAC DHS outstation personnel must provide for the receipt and "initial processing" of Medi-Cal applications from eligibility groups at one of the outstation locations identified in this Agreement. "Initial processing" includes taking applications, assisting applicants in completing the application, providing information and referrals, obtaining required documentation to complete processing of the application, assuring that the information contained on the application form is complete, and conducting any necessary interviews. PFS Staff will also assure that the required information is accurate and adequately documented and will provide translation services where appropriate. PFS Staff may not independently evaluate the information contained on the application and the supporting documentation or make definitive determinations of eligibility or ineligibility. LAC DPSS staff (i.e., Certifiers) must evaluate the information and supporting documentation taken by PFS Staff at LAC hospitals or MACCs, and make the final determination of eligibility or ineligibility.

- LAC DPSS will provide LAC DHS PFS Staff with required training on current Medi-Cal eligibility policies and procedures.
- In performing the duties specified above, and other such duties as LAC DPSS may lawfully specify, PFS Staff shall have access to the Medi-Cal Eligibility Data System (MEDS). All persons who access MEDS shall keep the information confidential and only disclose or use it as permitted by law and as required by Section X of the DHCS Medi-Cal Data Privacy and Security Agreement. See Attachment III.

- Applicants' Medi-Cal eligibility can only be attained through LAC DPSS Certifiers' certifications.
2. LAC DHS and DPSS will prepare and maintain a written interagency agreement that outlines the duties and responsibilities of PFS Staff and Certifiers. This documentation is subject to compliance with federal and state Medicaid requirements (including, but not limited to confidentiality and conflict of interest requirements).
 - LAC DHS will provide the State with a copy of the above-referenced interagency agreement and will transmit to the State any future revisions, as they occur.
 3. LAC DHS will maintain written policies and procedures specifying the duties, roles and responsibilities of the PFS Staff under the interagency agreement referenced above.
 4. LAC DPSS will maintain written policies and procedures specifying the duties, and responsibilities of the application Certifiers in the Medi-Cal eligibility approval process. LAC DPSS Certifier responsibilities include: evaluating the information contained on the application and supportive documentation and determining eligibility or ineligibility.
 5. In fulfilling the obligations under this Agreement and the interagency agreement, LAC shall comply with all applicable state and federal laws (including, but not limited to HIPAA, confidentiality and conflict of interest requirements).
 6. LAC DHS and DPSS will monitor PFS Staff and Certifier policy and procedure documentation and performance to assure consistent application of state and federal Medi-Cal rules. LAC will present a report to the State on the findings of such monitoring activities at the Corrective Action Committee meetings, or such other meetings as the State and LAC shall determine.
 7. DHCS intends to conduct FR at least every two years to monitor compliance with this Agreement and applicable state and federal eligibility determination requirements. DHCS will provide LAC with a draft copy of FR findings, and provide LAC with a reasonable opportunity to comment and if appropriate, to provide supplemental materials, before the FR report is issued in final form. Upon LAC request, exit conferences will be scheduled on timely bases at mutually convenient times.
 8. LAC staff are encouraged to utilize LEADER case comment screens to document special applicant issues (e.g., continuous client contact, non-cooperation, and/or eligibility documentation issues).

9. This Agreement shall be effective as of the first date on which it is fully executed, and shall remain effective until terminated by the Parties consistent with the provisions of Section 10 below. This Agreement shall supersede any prior agreements among the parties on the matters covered by this Agreement.
10. Any party may terminate this Agreement without cause upon 120 days written notice to the other parties. In the event that one party is in material breach of this Agreement, any other party may terminate the Agreement, if the breaching party is unable to cure the breach within 30 days of receiving notice of such breach.

SIGNATURE BLOCKS:

Original signed by Vivian Auble
Vivian Auble, Chief, Medi-Cal Eligibility Division

2/22/2009
Date

Phillip L. Browning, Director
Los Angeles County
Department of Public Social Services

Date

John Schunhoff, PhD
Interim Director
Los Angeles County
Department of Health Services

Date

ATTACHMENT LISTING

Attachment I:

April 8, 1975, letter from R.T. Soderberg, Chief Deputy Director, State Department of Health Services to Liston A. Witherill, Director, Los Angeles County Department of Health Services. This letter authorizes the LAC hospital usage of PFSWs to accept and provide partial application processing services in county hospital settings.

Attachment II:

Title 42 CFR Section 435.904

This regulation permits outstationed staff to perform initial processing functions for certain low-income eligibility groups in specified locations.

Attachment III:

DHCS Medi-Cal Data Privacy and Security Agreement

This document controls the use and disclosure of information in MEDS.

ATTACHMENT I

April 8, 1975 letter from R.T. Soderberg, Chief Deputy Director, State Department of Health Services to Liston A. Witherill, Director, Los Angeles County Department of Health Services. This letter authorizes the LAC hospital usage of PFSWs to accept and provide partial application processing services in county hospital settings.

DEPARTMENT OF HEALTH

114-1247 STREET
SACRAMENTO, CALIFORNIA 95814

April 8, 1975

Mr. Liston A. Witherill, Director
Los Angeles County
Department of Health Services
313 North Figueroa
Los Angeles, CA 90012

Dear Mr. Witherill:

I am pleased to report on the culmination of the efforts of the Los Angeles County Waiver Task Force.

This letter contains the Medi-Cal program modification which was developed by the Task Force. At the end of the modification is a space for your signature of concurrence with the terms and conditions of this modification. If you concur, this modification will be effective July 1, 1975. Also contained in this letter are the requirements for billing Medi-Cal for the period January 1, 1975 through June 30, 1975.

PROGRAM MODIFICATION -- JULY 1, 1975

Recognizing the unique problems of the Los Angeles County Health Services System and recognizing the information and control needs of the Medi-Cal program, the State Department of Health will accept Medi-Cal billings from Los Angeles County Health Services facilities effective July 1, 1975 under the following modifications of current Medi-Cal requirements:

1. The County may use hospital Patient Financial Services Workers to accept and process Medi-Cal eligibility applications.
2. The County may obtain written verification of eligibility as described in condition No. 3 when a Medi-Cal label is not obtained from the beneficiary.
3. The County may submit Medi-Cal billings without Treatment Authorization Requests and Extensions of Stay except for certain inpatient services at Rancho Los Amigos and Long Beach General Hospitals as described in condition No. 4.
4. The County may use all-inclusive rates for billing inpatient and outpatient services.

5. The County may submit Medi-Cal billings to the State or to its fiscal intermediary agents, without attachments, except for any certification as to eligibility determination which would be required to validate billings submitted beyond the standard two-month billing limitation and within one year from the month of service.

MODIFICATION CONDITIONS

The State Department of Health will accept these modifications only if, and so long as, County satisfies the following conditions:

1. ELIGIBILITY DETERMINATION

The County shall bill the Medi-Cal program only for covered services provided to eligible Medi-Cal beneficiaries. Where eligibility has not already been determined or is not pending, the hospital Patient Financial Services Worker (PFSW) shall initiate an eligibility application for Medi-Cal and the application shall be approved before Medi-Cal is billed for services received by the beneficiary. The hospital may continue to use hospital PFSWs until such time as HEW discontinues the waiver which allows applications to be taken and processed by persons employed by the hospital. Commencing with services rendered on or after July 1, 1974, payments shall be made on the basis of individual eligibility determinations only.

2. PATIENT FINANCIAL FILE

Individual patient financial files shall be maintained by the county for all beneficiaries for who the County bills Medi-Cal.

The financial file shall contain (a) proof of eligibility for the month(s) during which service was received and billed to Medi-Cal, (b) statement of patient liability, and (c) statement of other coverage eligibility. All of this information shall be in the patient financial file prior to billing the Medi-Cal program.

3. LABEL RETRIEVAL

The County shall secure labels when available; otherwise, written verification of eligibility shall be obtained. Written verification may be accomplished by the county hospital worker through the use of the Central Identification (CID) or State Data Exchange (SDX) registers. In all other instances, written verification shall be completed by the County Department of Public Social Services. If written verification is obtained in lieu of the label, then in addition to the information specified on county form H40C9, Rev. 4/73, the County shall include a check against prepaid health plan (PHP) eligibility for public assistance recipients and a statement of

other coverage eligibility. The PHP check shall be accomplished through the PHP listing provided to the County by the State or, in the case of AFDC public assistance beneficiaries, through the CID register.

If the patient is a member of a PHP, the Medi-Cal program shall not be billed unless the service provided has been expressly excluded from the PHP contract and is a Medi-Cal benefit.

4. SPECIAL PROVISIONS FOR RANCHO LOS AMIGOS HOSPITAL AND LONG BEACH HOSPITAL INPATIENT SERVICES

For all inpatient stays of seven days or less, Rancho Los Amigos Hospital and Long Beach General Hospital shall abide by the provisions relating to the County's other inpatient facilities. For all inpatient stays exceeding seven days, Rancho Los Amigos Hospital and Long Beach General Hospital shall prepare a Treatment Authorization Request (TAR) on or before the eighth day. Such TARs shall cover the first seven days of stay plus any other requested days of stay up to and including the 30th day. For inpatient stays exceeding the initial authorization, an Extension of Stay (EOS) shall be prepared on or before the expiration of the initial authorization. TARs and EOSs shall be maintained at the facility for review by Department of Health representatives to make a determination of medical necessity, level of care, scope of benefits, and length of stay including the first seven days of stay.

The County shall not protest or appeal the state determination of medical necessity, level of care, scope of benefits, and length of stay except during the review by the Department of Health representatives.

The approved TARs and EOSs shall be maintained in the patient financial file by the County.

5. BILLING

The County shall bill other coverage in all instances where the Medi-Cal beneficiary has other coverage eligibility. The County shall deduct the patient liability/cost deduction, if any, and other coverage reimbursement, if any, prior to billing the Medi-Cal program for the cost of care provided to an eligible beneficiary. Inpatient services at Rancho Los Amigos Hospital and Long Beach General Hospital shall be billed:

- a. Where the inpatient stay is seven days or less, for all services provided after deducting the patient liability/cost deduction, if any, and other coverage reimbursement, if any.

April 8, 1975

- b. Where the inpatient stay is more than seven days, for days approved at the level approved on the TAR after deducting the patient liability/cost deduction, if any, and other coverage reimbursement, if any.

The County shall comply with all Medi-Cal time limitations for billing.

6. INTERIM PAYMENT RATES

The County shall accept interim payment rates established by the State for each county facility based on the findings of the State's 30 month audit for the period ending December 31, 1974. These rates shall be applied to bills received from the county facilities beginning July 1, 1975. The amount billed shall be reduced to the applicable rate. This reduced amount shall be the interim reimbursement amount. These rates shall be the ratio of the amount of allowable Medi-Cal reimbursement to the amount of the total services provided to Medi-Cal beneficiaries during the 30-month period ending December 31, 1974.

The inpatient interim reimbursement rates shall be expressed as a percentage. The outpatient reimbursement rates shall be expressed as a flat rate. An interim reimbursement rate shall be determined for Rancho Los Amigos Hospital and Long Beach General Hospital inpatient services for stays of seven days or less on the same basis as for inpatient stays as described above for all other facilities. For inpatient stays of more than seven days at Rancho Los Amigos Hospital and Long Beach General Hospital, the interim reimbursement rate shall be 100 percent of the amount billed. The County shall identify all claims submitted from Rancho Los Amigos and Long Beach General for stays of more than seven days.

Interim payments received by the County as well as allowable inpatient days will be adjusted on the basis of quarterly audits as specified in No. 7. The normal year-end inpatient cost settlement will also be applied to adjust payments received. The initial interim payment rates determined on the basis of the 30-month audit for the period ending December 31, 1974 will be applied to the individual Los Angeles County facilities from July 1, 1975 through December 31, 1975. Beginning January 1, 1976, the interim reimbursement rates for each quarter shall be adjusted based on the audit findings for the last completed quarterly audit.

7. AUDITS

The County shall be subject to quarterly audits by the State of inpatient and outpatient services to determine medical necessity; level of care, scope of benefits, length of stay, and eligibility for benefits. A detailed description of the audits is attached as Exhibit A.

Mr. Liston A. Witherill, Director

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April 8, 1975

In the event of nonperformance by the State of any function necessary to a condition or portion of a condition required of the County, the County shall not be required to fulfill that condition or portion of that condition to the extent that such fulfillment is rendered impossible by the State's nonperformance.

The State reserves the right to immediately terminate this program modification with or without cause upon delivery of written notification of such intent.

I concur with all terms and conditions of this modification.

Robert H. ...
Deputy Director
Los Angeles County
Department of Health Services

4/11/75
Date

PROGRAM MODIFICATION — JANUARY 1, 1975

For the period January 1, 1975 through June 30, 1975, the County may operate on the basis of the waivers which existed prior to January 1, 1975. These waivers are summarized below:

1. County hospital Patient Financial Services Workers may accept applications and determine Medi-Cal eligibility for hospital patients who do not have an application pending or are not already Medi-Cal beneficiaries.
2. County hospital may verify Medi-Cal eligibility by receipt of Medi-Cal label, phone verification through DFSS, or written statement from ...
3. County may prepare and submit retroactive TARs on emergency admissions over 8 days on or before the 20th day after discharge or by the day of service. Such TARs shall meet all other program requirements relating to TARs.
4. County may bill for Medi-Cal services using all-inclusive rates and need not itemize individual services.
5. The County may be exempt from enforcement of the MEDIC/DRUG 12s.
6. The County may be exempt from submitting attachments with bills except for required other coverage documentation in cases where the County is aware that other coverage exists and Medi-Cal is billed.

Mr. Liston A. Witherill, Director

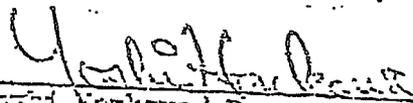
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April 8, 1975

These waivers are extended provided the County satisfies the following conditions:

1. The County shall submit, prior to June 30, 1975, any TAR or EOS which was not submitted for the period January 1, 1975 through April 15, 1975 due to the retraction of the waivers on December 12, 1974. All such TARs and EOSs must be clearly identified as being submitted under these provisions.
2. The County shall meet all other Medi-Cal program requirements.
3. The County shall subject its reimbursement to audit adjustment for the period on the basis of a six-month audit to be conducted by the State. The scope of the six-month audit shall be based upon a statistically valid sample of Medi-Cal claims and include specific tests for medical necessity and patient eligibility, as well as convert the county rate to SMA for outpatient services.

I concur with all terms and conditions of this modification

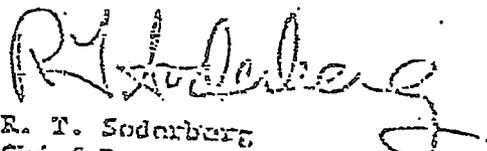

Yoshio Honkawa, Deputy Director
Los Angeles County
Department of Health Services

4/11/75
Hate

In order to implement the program modification effective July 1, 1975, it will be necessary for you to sign and return the second copy of this letter to me by April 25, 1975.

If you have any questions regarding the modification, please do not hesitate to contact me.

Sincerely,


R. T. Soderberg
Chief Deputy Director

Attachment

ATTACHMENT II

Title 42 CFR Section 435.904

This regulation permits outstationed staff to perform initial processing functions for certain low-income eligibility groups in specified locations.

Sec. 435.904 Establishment of outstation locations to process applications for certain low-income eligibility groups.

(a) State plan requirements. The Medicaid State plan must specify that the requirements of this section are met.

(b) Opportunity to apply. The agency must provide an opportunity for the following groups of low-income pregnant women, infants, and children under age 19 to apply for Medicaid at outstation locations other than AFDC offices:

(1) The groups of pregnant women or infants with incomes up to 133 percent of the Federal poverty level as specified under section 1902(a)(10)(A)(i)(IV) of the Act;

(2) The group of children age 1 up to age 6 with incomes at 133 percent of the Federal poverty level as specified under section 1902(a)(10)(A)(i)(VI) of the Act;

(3) The group of children age 6 up to age 19 born after September 30, 1983, with incomes up to 100 percent of the Federal poverty level as specified under section 1902(a)(10)(A)(i)(VII) of the Act; and

(4) The groups of pregnant women or infants, children age 1 up to age 6, and children age 6 up to age 19, who are not eligible as a mandatory group, with incomes up to 185 percent of the Federal poverty level as specified under section 1902(a)(10)(A)(ii)(IX) of the Act.

(c) Outstation locations: general requirements. (1) The agency must establish either—

(i) Outstation locations at each disproportionate share hospital, as defined in section 1923(a)(1)(A) of the Act, and each Federally-qualified health center, as defined in section 1905(1)(2)(B) of the Act, participating in the Medicaid program and providing services to Medicaid-eligible pregnant women and children; or

(ii) Other outstation locations, which include at least some, disproportionate share hospitals and federally-qualified health centers, as specified under an alternative State plan that is submitted to and approved by CMS if the following conditions are met:

(A) The State must demonstrate that the alternative plan for outstationing is equally effective as, or more effective than, a plan that would meet the requirements of paragraph (c)(1)(i) of this section in enabling the individuals described in paragraph (b) of this section to apply for and receive Medicaid; and

(B) The State must provide assurances that the level of staffing and funding committed by the State under the alternative plan equals or exceeds the level of staffing and funding under a plan that would meet the requirements of establishing the outstation locations at the sites specified in paragraph (c)(1)(i) of this section.

(2) The agency must establish outstation locations at Indian health clinics operated by a tribe or tribal organization as these clinics are specifically included in the definition of Federally-qualified health

centers under section 1905(l)(2)(B) of the Act and are also included in the definition of rural health clinics under part 491, subpart A of this chapter.

(3) The agency may establish additional outstation locations at any other site where potentially eligible pregnant women or children receive services—for example, at school-linked service centers and family support centers. These additional sites may also include sites other than the main outstation location of those Federally-qualified health centers or disproportionate share hospitals providing services to Medicaid-eligible pregnant women and to children and that operate more than one site.

(4) The agency may, at its option, enter into reciprocal agreements with neighboring States to ensure that the groups described in paragraph (b) of this section who customarily receive services in a neighboring State have the opportunity to apply at outstation locations specified in paragraphs (c)(1) and (2) of this section.

(d) Outstation functions. (1) The agency must provide for the receipt and initial processing of Medicaid applications from the designated eligibility groups at each outstation location.

(2) "Initial processing" means taking applications, assisting applicants in completing the application, providing information and referrals, obtaining required documentation to complete processing of the application, assuring that the information contained on the application form is complete, and conducting any necessary interviews. It does not include evaluating the information contained on the application and the supporting documentation nor making a determination of eligibility or ineligibility.

(3) The agency may, at its option, allow appropriate State eligibility workers assigned to outstation locations to evaluate the information contained on the application and the supporting documentation and make a determination of eligibility if the workers are authorized to determine eligibility for the agency which determines Medicaid eligibility under Sec. 431.10 of this subchapter.

(e) Staffing. (1) Except for outstation locations that are infrequently used by the low-income eligibility groups, the State agency must have staff available at each outstation location during the regular office operating hours of the State Medicaid agency to accept applications and to assist applicants with the application process.

(2) The agency may station staff at one outstation location or rotate staff among several locations as workload and staffing availability dictate.

(3) The agency may use State employees, provider or contractor employees, or volunteers who have been properly trained to staff outstation locations under the following conditions:

(i) State outstation intake staff may perform all eligibility processing functions, including the eligibility determination, if the

staff is authorized to do so at the regular Medicaid intake office.

(ii) Provider or contractor employees and volunteers may perform only initial processing functions as defined in paragraph (d)(2) of this section.

(4) Provider and contractor employees and volunteers are subject to the confidentiality of information rules specified in part 431, subpart F, of this subchapter, to the prohibition against reassignment of provider claims specified in Sec. 447.10 of this subchapter, and to all other State or Federal laws concerning conflicts of interest.

(5) At locations that are infrequently used by the designated low-income eligibility groups, the State agency may use volunteers, provider or contractor employees, or its own eligibility staff, or telephone assistance.

(i) The agency must display a notice in a prominent place at the outstation location advising potential applicants of when outstation intake workers will be available.

(ii) The notice must include a telephone number that applicants may call for assistance.

(iii) The agency must comply with Federal and State laws and regulations governing the provision of adequate notice to persons who are blind or deaf or who are unable to read or understand the English language.

ATTACHMENT III

DHCS Medi-Cal Data Privacy and Security Agreement

This document controls the use and disclosure of information in Medi-Cal Eligibility Data System.

**MEDI-CAL DATA PRIVACY AND SECURITY
AGREEMENT BETWEEN
The California Department of Health Care Services
and the County of Los Angeles, Department of Public Social Services.**

PREAMBLE

The California Department of Health Care Services (DHCS) and the County of Los Angeles, Department of Public Social Services ("County Department") enter into this Medi-Cal Data Privacy and Security Agreement ("Agreement") in order to ensure the privacy and security of Medi-Cal Personally Identifiable Information (PII).

DHCS receives federal funding to administer the Medi-Cal program. DHCS provides funding to the County Department in exchange for the County Department's assistance in administering the Medi-Cal program.

This Agreement covers the County of Los Angeles, Department of Public Social Services workers that assist in the administration of the Medi-Cal program; and access, use, or disclose Medi-Cal PII. For the purpose of this Agreement, the following terms mean:

1. "Assist in the Administration of the Medi-Cal Program" is performing an administrative function on behalf of Medi-Cal, such as determining eligibility or case managing IHSS (In-Home Supportive Services) clients; and
2. "Medi-Cal PII" is information directly obtained in the course of performing an administrative function on behalf of Medi-Cal, such as determining Medi-Cal eligibility or conducting IHSS operations, that can be used alone, or in conjunction with any other information, to identify a specific individual. PII includes any information that can be used to search for or identify individuals, or can be used to access their files, such as name, social security number, date of birth, driver's license number or identification number. PII may be electronic or paper.

AGREEMENTS

NOW THEREFORE, DHCS and the County Department mutually agree as follows:

I. PRIVACY AND CONFIDENTIALITY

- A. County Department workers covered by this Agreement ("County Workers") may use or disclose Medi-Cal PII only to perform functions, activities or services directly related to the administration of the Medi-Cal program in accordance with Welfare and Institutions Code section 14100.2 and 42 Code of Federal Regulations section

431.300 et.seq, or as required by law. For example, County Workers performing eligibility determinations may generally only use or disclose Medi-Cal PII to determine eligibility for individuals applying for Medi-Cal. County Workers assisting in the administration of the In-Home Supportive Services (IHSS) program may generally use or disclose Medi-Cal PII only to perform administrative functions essential to the operation of the IHSS program. Disclosures which are required by law, such as a court order, or which are made with the explicit written authorization of the Medi-Cal client, are allowable. Any other use or disclosure of Medi-Cal PII requires the express approval in writing of DHCS. No County Worker shall duplicate, disseminate or disclose Medi-Cal PII except as allowed in this Agreement.

- B. Access to Medi-Cal PII shall be restricted to only County Workers who need the Medi-Cal PII to perform their official duties in connection with the administration of the Medi-Cal program.
- C. County Workers who access, disclose or use Medi-Cal PII in a manner or for a purpose not authorized by this Agreement may be subject to civil and criminal sanctions contained in applicable federal and state statutes.

II. EMPLOYEE TRAINING AND DISCIPLINE

The County Department agrees to advise County Workers who have access to Medi-Cal PII of the confidentiality of the information, the safeguards required to protect the information, and the civil and criminal sanctions for non-compliance contained in applicable federal and state laws. For that purpose, the County Department shall:

- A. Train and use reasonable measures to ensure compliance with the requirements of this Agreement by County Workers who assist in the administration of the Medi-Cal program and use or disclose Medi-Cal PII; and take corrective action against such County Workers who intentionally violate any provisions of this Agreement, up to and including by termination of employment. In complying with this requirement, the County Department agrees to:
 - 1. Provide privacy and security awareness training to each new County Worker within 30 days of employment and thereafter provide ongoing reminders of the privacy and security safeguards in this Agreement to all County Workers who assist in the administration of the Medi-Cal program and use or disclose Medi-Cal PII.
 - 2. Maintain records indicating each County Worker's name and the date on which the initial privacy and security awareness training was completed.
 - 3. Retain training records for inspection for a period of three years after completion of the training.

III. MANAGEMENT OVERSIGHT AND MONITORING

The County Department agrees to:

- A. Establish and maintain ongoing management oversight and quality assurance for monitoring workforce compliance with the privacy and security safeguards in this Agreement when using or disclosing Medi-Cal PII.
- B. Ensure that ongoing management oversight includes periodic self-assessments and randomly sampling work activity by County Workers who assist in the administration of the Medi-Cal program and use or disclose Medi-Cal PII. DHCS shall provide the County Department with information on MEDS usage indicating any anomalies for investigation and follow-up.
- C. Ensure that these management oversight and monitoring activities are performed by County Workers whose job functions are separate from those who use or disclose Medi-Cal PII as part of their routine duties.

IV. CONFIDENTIALITY STATEMENT

The County Department agrees to ensure that all County Workers who assist in the administration of the Medi-Cal program and use or disclose Medi-Cal PII sign a confidentiality statement. The statement shall include at a minimum, General Use, Security and Privacy Safeguards, Unacceptable Use, and Enforcement Policies. The statement shall be signed by the County Worker prior to access to Medi-Cal PII.

V. PHYSICAL SECURITY

The County Department shall ensure that Medi-Cal PII is used and stored in an area that is physically safe from access by unauthorized persons during working hours and non-working hours. The County Department agrees to safeguard Medi-Cal PII from loss, theft, or inadvertent disclosure and, therefore, agrees to:

- A. Secure all areas of County Department facilities where County Workers assist in the administration of the Medi-Cal program and use or disclose Medi-Cal PII. The County Department shall ensure that these secure areas are only accessed by authorized individuals with properly coded key cards, authorized door keys or access authorization; and access to premises is by official identification.
- B. Ensure that there are security guards or a monitored alarm system with or without security cameras 24 hours a day, 7 days a week at County Department facilities and leased facilities where a large volume of Medi-Cal PII is stored.
- C. Issue County Workers who assist in the administration of the Medi-Cal program identification badges and require County Workers to wear these badges at County Department facilities where Medi-Cal PII is stored or used.

- D. Store paper records with Medi-Cal PII in locked spaces, such as locked file cabinets, locked file rooms, locked desks or locked offices in facilities which are multi-use, meaning that there are County Department and non-County Department functions in one building in work areas that are not securely segregated from each other. The County Department shall have policies which indicate that County Workers are not to leave records with Medi-Cal PII unattended at any time in vehicles or airplanes and not to check such records in baggage on commercial airplanes.
- E. Use all reasonable measures to prevent non-authorized personnel and visitors from having access to, control of, or viewing Medi-Cal PII.

VI. COMPUTER SECURITY SAFEGUARDS

The County Department agrees to comply with the general computer security safeguards, system security controls, and audit controls in this section.

General Computer Security Safeguards

In order to comply with the following general computer security safeguards, the County Department agrees to:

- A. Encrypt portable computer devices, such as laptops and notebook computers that process and/or store Medi-Cal PII, with a solution using a vendor product that is recognized as an industry leader in meeting the needs for the intended solution. One source of recommended solutions is specified on the California Strategic Sourced Initiative (CSSI) located at the following link: www.pd.dgs.ca.gov/masters/EncryptionSoftware.html. The County Department shall use an encryption solution that is full-disk unless otherwise approved by DHCS.
- B. Encrypt workstations where Medi-Cal PII is stored using a vendor product that is recognized as an industry leader in meeting the needs for the intended solution, such as products specified on the CSSI.
- C. Ensure that only the minimum necessary amount of Medi-Cal PII is downloaded to a laptop or hard drive when absolutely necessary for current business purposes.
- D. Encrypt all electronic files that contain Medi-Cal PII when the file is stored on any removable media type device (i.e. USB thumb drives, floppies, CD/DVD, etc.) using a vendor product that is recognized as an industry leader in meeting the needs for the intended solution, such as products specified on the CSSI.
- E. Ensure that all emails sent outside the County Department's e-mail environment that include Medi-Cal PII are sent via an encrypted method using a vendor product that is recognized as an industry leader in meeting the needs for the intended solution, such as products specified on the CSSI.

- F. Ensure that all workstations, laptops and other systems that process and/or store Medi-Cal PII have a commercial third-party anti-virus software solution and are updated when a new anti-virus definition/software release is available.
- G. Ensure that all workstations, laptops and other systems that process and/or store Medi-Cal PII have current security patches applied and up-to-date.
- H. Ensure that all Medi-Cal PII is wiped from systems when the data is no longer legally required. The County Department shall ensure that the wipe method conforms to Department of Defense standards for data destruction.
- I. Ensure that any remote access to Medi-Cal PII is established over an encrypted session protocol using a vendor product that is recognized as an industry leader in meeting the needs for the intended solution, such as products specified on the CSSI. The County Department shall ensure that all remote access is limited to minimum necessary and least privilege principles.

System Security Controls

In order to comply with the following system security controls, the County Department agrees to:

- J. Ensure that all County Department systems containing Medi-Cal PII provide an automatic timeout after no more than 20 minutes of inactivity.
- K. Ensure that all County Department systems containing Medi-Cal PII display a warning banner stating that data is confidential, systems are logged, and system use is for business purposes only. User shall be directed to log off the system if they do not agree with these requirements.
- L. Ensure that all County Department systems containing Medi-Cal PII log successes and failures of user authentication and authorizations granted. The system shall log all data changes and system accesses conducted by all users (including all levels of users, system administrators, developers, and auditors). The system shall have the capability to record data access for specified users when requested by authorized management personnel. A log of all system changes shall be maintained and be available for review by authorized management personnel.
- M. Ensure that all County Department systems containing Medi-Cal PII use role based access controls for all user authentication, enforcing the principle of least privilege.
- N. Ensure that all County Department data transmissions over networks outside of the County's control are encrypted end-to-end using a vendor product that is recognized as an industry leader in meeting the needs for the intended solution, such as products specified on the CSSI, when transmitting Medi-Cal PII. The County

Department shall encrypt Medi-Cal PII at the minimum of 128 bit AES or 3DES (Triple DES) if AES is unavailable.

- O. Ensure that all County Department systems that are accessible via the Internet or store Medi-Cal PII actively use either a comprehensive third-party real-time host based intrusion detection and prevention program or be protected at the perimeter by a network based IDS/IPS solution.

Audit Controls

In order to comply with the following audit controls, the County Department agrees to:

- P. Ensure that all County Department systems processing and/or storing Medi-Cal PII have at least an annual system security review. The County Department review shall include administrative and technical vulnerability assessments.
- Q. Ensure that all County Department systems processing and/or storing Medi-Cal PII have an automated audit trail, which includes the initiator of the request, along with a time and date stamp for each access. These logs shall be read-only and maintained for a period of at least three (3) years. There shall be a routine procedure in place to review system logs for unauthorized access. The County Department shall investigate anomalies identified by interviewing County Workers and witnesses and taking corrective action, including by disciplining County Workers, when necessary.
- R. Maintain an automated audit trail record identifying either the individual worker or the system process that initiated a request for information from the Social Security Administration (SSA) for its systems, such as IEVS. Individual audit trail records shall contain the data needed to associate each query transaction to its initiator and relevant business purpose (that is, the client record for which SSA data was accessed) and each transaction shall be time and date stamped. Access to the audit file shall be restricted to authorized users with a need to know and the audit file data shall be unalterable (read only) and maintained for a minimum of three years.
- S. Investigate anomalies in MEDS usage identified by DHCS and report conclusions of such investigations and remediation to DHCS.
- T. Exercise management control and oversight, in conjunction with DHCS, of the function of authorizing individual user access to SSA data and MEDS and over the process of issuing and maintaining access control numbers and passwords.
- U. Ensure that all County Department systems processing and/or storing Medi-Cal PII have a documented change control procedure that ensures separation of duties and protects the confidentiality, integrity and availability of data.

VII. PAPER DOCUMENT CONTROLS

In order to comply with the following paper document controls, the County Department agrees to:

- A. Dispose of Medi-Cal PII in paper form through confidential means, such as cross cut shredding and pulverizing.
- B. Not remove Medi-Cal PII from the premises of the County Department except for identified routine business purposes or with express written permission of DHCS.
- C. Not leave faxes containing Medi-Cal PII unattended and keep fax machines in secure areas. The County Department shall ensure that faxes contain a confidentiality statement notifying persons receiving faxes in error to destroy them. County Workers shall verify fax numbers with the intended recipient before sending.
- D. Use a secure, bonded courier with signature of receipt when sending large volumes of Medi-Cal PII. The County Department shall ensure that disks and other transportable media sent through the mail are encrypted using a vendor product that is recognized as an industry leader in meeting the needs for the intended solution, such as products specified on the CSSI.

VIII. NOTIFICATION AND INVESTIGATION OF BREACHES

The County Department agrees to:

- A. Notify DHCS immediately by telephone call or e-mail upon the discovery of a breach of security of Medi-Cal PII in computerized form if the PII was, or is reasonably believed to have been, acquired by an unauthorized person; or within 24 hours by telephone call or e-mail of discovery of any other suspected security incident, intrusion, loss or unauthorized use or disclosure of PII in violation of this Agreement or the law. The County Department shall submit the notification to the DHCS Privacy Officer and the DHCS Information Security Officer. If the incident occurs after business hours or on a weekend or holiday and involves electronic PII, the County Department shall notify DHCS by calling the DHCS ITSD Help Desk.

<p>DHCS Privacy Officer</p> <p>Privacy Officer c/o: Office of Legal Services Department of Health Care Services P.O. Box 997413, MS 0011 Sacramento, CA 95899-7413</p> <p>Email: privacyofficer@dhcs.ca.gov Telephone: (916) 445-4646</p>	<p>DHCS Information Security Officer</p> <p>Information Security Officer DHCS Information Security Office P.O. Box 997413, MS 6400 Sacramento, CA 95899-7413</p> <p>Email: iso@dhcs.ca.gov Telephone: ITSD Help Desk (916) 440-7000 (800) 579-0874</p>
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- B. Ensure that the initial notification includes contact and component information; a description of the breach or loss with scope, numbers of files or records, type of equipment or media, approximate time and location of breach or loss; description of how the data was physically stored, contained, or packaged (e.g. password protected, encrypted, locked briefcase, etc.); whether any individuals or external organizations have been contacted; and whether any other reports have been filed.
- C. Take prompt corrective action to mitigate any risks or damages involved with the breach and to protect the operating environment.
- D. Investigate the breach and produce a written breach report within ten working days of the incident, detailing what data elements were involved; a description of the unauthorized persons known or reasonably believed to have improperly used or disclosed PII; a description of where PII is believed to have been improperly transmitted, sent, or used; a description of the probable causes of the breach; a detailed corrective action plan including measures that were taken to halt and/or contain the breach. The County Department shall submit the breach report to the DHCS Privacy Officer and Information Security Officer.
- E. Notify individuals of the breach or unauthorized use or disclosure of Medi-Cal PII maintained by the County Department when notification is required under state or federal law. The County Department shall obtain the approval of the DHCS Privacy Officer for the time, manner and content of any such required notifications. County Department shall be responsible for the cost of such notification to the extent that such breach or unauthorized use or disclosure is due to the negligence or intentional misconduct of County Department. To the extent such breach or unauthorized use or disclosure is due to the negligence or intentional misconduct of DHCS, DHCS shall be responsible for notifying individuals and the County Department shall not be responsible for any costs of notification. If there is any question as to whether DHCS or the County Department is responsible for the breach, DHCS shall issue the notice and DHCS and the County Department shall subsequently determine responsibility for purposes of allocating the costs of such notices.

IX. COMPLIANCE WITH SSA AGREEMENT

The County Department agrees to comply with substantive privacy and security requirements in the Agreement between the Social Security Administration and DHCS, known as the 1137 Agreement, which is appended to and hereby incorporated into this Agreement (Exhibit A). The specific sections of the 1137 Agreement which contain substantive privacy and security requirements which are to be complied with by County Department are as follows: XI. Procedures for Security; XII. Safeguarding and Reporting Responsibilities for Personally Identifiable Information (PII); XIII. Procedures for Records Usage, Duplication, and Redisclosure Restrictions; and Attachment C, Information System Security Guidelines for Federal, State and Local Agencies Receiving Electronic Information from the Social Security Administration. If there is any conflict between a privacy and security standard in these sections of the 1137 Agreement and a standard in this Agreement, the most stringent standard shall apply. The most stringent standard means that standard which provides the greatest protection to data.

X. COMPLIANCE BY COUNTY DEPARTMENT AGENTS

The County Department shall require that any agents, including subcontractors, which assist the County Department in its Medi-Cal functions and to which the County Department provides PII, agree to the same privacy and security safeguards as are contained in this Agreement; and to incorporate, when applicable, the relevant provisions of this Agreement into each subcontract or sub-award to such agents or subcontractors.

XI. ASSESSMENTS AND REVIEWS

In order to enforce this Agreement and ensure compliance with its provisions, the County Department agrees to allow DHCS to inspect the facilities, systems, books and records of the County Department, with reasonable notice from DHCS, in order to perform assessments and reviews. Such inspections shall be scheduled at times that take into account the operational and staffing demands of the county. The County Department agrees to promptly remedy any violation of any provision of this Agreement and certify the same to the DHCS Privacy Officer and Information Security Officer in writing, or to enter into a written corrective action plan with DHCS containing deadlines for achieving compliance with specific provisions of this Agreement.

XII. DEADLINE FOR SUBSTANTIAL COMPLIANCE

- A. The County Department shall be in substantial compliance with this Agreement by no later than July 1, 2010.
- B. If, at any time, the county is unable to meet the security and privacy requirements imposed in this Agreement in the manner specified therein due to a lack of funding;

DHCS will work with the county to develop a Corrective Action Plan which can be implemented within the resources provided by the state for this purpose and which is intended to substantially meet those security and privacy requirements even if such requirements are met utilizing alternative or different methods than those specified in this Agreement.

- C. DHCS shall monitor corrective action plans which County Department develops to remediate gaps in security compliance under this Agreement and reassess compliance.

XIII. ASSISTANCE IN LITIGATION OR ADMINISTRATIVE PROCEEDINGS

In the event of litigation or administrative proceedings involving DHCS based upon claimed violations by the County Department of the privacy or security of Medi-Cal PII, or federal or state laws or agreements concerning privacy or security of Medi-Cal PII, the County Department shall make all reasonable effort to make itself and any subcontractors, agents, and County Workers assisting in the administration of the Medi-Cal program and using or disclosing Medi-Cal PII available to DHCS at no cost to DHCS to testify as witnesses. DHCS shall also make all reasonable efforts to make itself and any subcontractors, agents, and employees available to County Department at no cost to County Department to testify as witnesses, in the event of litigation or administrative proceedings involving the County Department based upon claimed violations by DHCS of the privacy or security of Medi-Cal PII, or state or federal laws or agreements concerning privacy or security of Medi-Cal PII.

XIV. SIGNATORIES

The signatories below warrant and represent that they have the competent authority on behalf of their respective agencies to enter into the obligations set forth in this Agreement.

The authorized officials whose signatures appear below have committed their respective agencies to the terms of this Agreement effective this 20th day of November, 2008.

For the County of Los Angeles, Department of Public Social Services:



Philip L. Browning
Director

For the California Department of Health Care Services:



Stan Rosenstein
Chief Deputy Director
Health Care Programs

12/5/08

Exhibit A: Agreement between the Social Security Administration and the State of California, Department of Health Care Services with Attachment "Information System Security Guidelines for Federal, State and Local Agencies Receiving Electronic Information from the Social Security Administration".



DAVID MAXWELL-JOLLY
Director

State of California—Health and Human Services Agency
Department of Health Care Services



ARNOLD SCHWARZENEGGER
Governor

February 25, 2009

Ms. Patricia Adams, Chief
Revenue Management
Department of Health Services
Los Angeles County
313 North Figueroa, Room 527
Los Angeles, CA 90021

Dear Ms. Adams:

The purpose of this letter is to transmit the updated Los Angeles Patient Financial Services Worker (PFSW) Agreement. Enclosed you will find our agreed upon version. I understand that Los Angeles County (LAC) staff has developed a County Board of Supervisors' package in support of county ratification of this Agreement and that it will be considered by the Board in early March 2009.

The initial LAC PFSW Agreement was executed on April 8, 1975. This Agreement authorized LAC PFSWs to accept and document Medi-Cal application packages, subject to final approval by LAC Department of Public Social Services Application Certifiers. Since the inception of the LAC PFSW Agreement, state reviewers have conducted two Focused Reviews (FR). The initial 2001 FR documented several administrative issues that were determined to have been resolved by the 2008 FR. By the nature and circumstances of the applicant population, timeliness of application processing continues to be an area requiring attention. However, with appropriately enhanced documentation in case comments, this issue should be mitigated.

Based on the FR findings; the passage of time since the initial LAC PFSW Agreement; changed circumstances; and the need for clear communication of expectations associated with application intake, approval certification, and application processing at LAC county hospital facilities, it was mutually agreed that the original LAC PFSW Agreement needed to be updated.

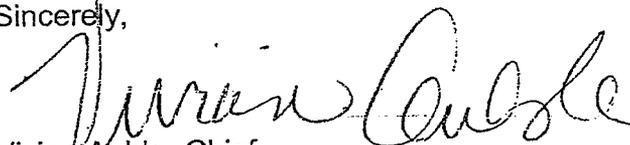
The enclosed updated Agreement fulfills this need and appropriately documents current requirements and expectations. State and county staff looks forward to execution of this Agreement, so that expectations are clearly stated and consistent with current circumstances.

Ms. Patricia Adams
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February 25, 2009

We anticipate initiation of the third iteration of the LAC PFSW FR during April and May 2009. We are encouraged by the progress to date and the enhanced communication.

If you seek any additional information, please contact Mr. Tom Welch, Chief of the Program Review Section at (916) 552-9445, or by e-mail at twelch@dhcs.ca.gov.

Sincerely,

A handwritten signature in cursive script, appearing to read "Vivian Auble".

Vivian Auble, Chief
Medi-Cal Eligibility Division

Enclosure